

EXHIBIT AC

Reed, Larry

September 26, 2007

Baltimore, MD

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UNITED STATES DISTRICT COURT
OF THE DISTRICT OF MASSACHUSETTS

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IN RE: PHARMACEUTICAL : MDL NO. 1456
INDUSTRY AVERAGE WHOLESALE : CIVIL ACTION
PRICE LITIGATION : 01-CV-12257-PBS
THIS DOCUMENT RELATES TO :
U.S. ex rel. Ven-A-Care of : Judge Patti B.
The Florida Keys, Inc., : Saris
Plaintiff, :
vs. :
ABBOTT LABORATORIES, INC., : Chief Magistrate
No. 06-CV-11337-PBS : Judge Marianne B.
Defendants. : Bowler

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VOLUME I

Baltimore, Maryland

Wednesday, September 26, 2007

Videotape Deposition of:

LARRY REED,

the witness, was called for examination by counsel
for the Defendants, pursuant to notice, commencing

Henderson Legal Services
202-220-4158

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<p style="text-align: right;">Page 2</p> <p>1 at 9:26 a.m., at the law offices of 2 Hogan & Hartson, 111 South Calvert Street, 3 Baltimore, Maryland, before Dawn A. Jaques, 4 Certified Shorthand Reporter and Notary Public in 5 and for the State of Maryland, when were present 6 on behalf of the respective parties: 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 (CAPTIONS CONTINUED)</p>	<p style="text-align: right;">Page 4</p> <p>1 IN THE COURT OF THE SECOND JUDICIAL CIRCUIT 2 IN AND FOR LEON COUNTY, FLORIDA 3 THE STATE OF FLORIDA 4 ex rel. 5 -----x 6 VEN-A-CARE OF THE FLORIDA : 7 KEYS, INC., a Florida : 8 Corporation, by and through : 9 its principal officers and : 10 directors, ZACHARY T. : 11 BENTLEY and T. MARK JONES, : 12 Plaintiffs, : 13 vs. : 14 MYLAN LABORATORIES, INC., : Civil Action No.: 15 MYLAN PHARMACEUTICALS, INC., : 98-3032G 16 NOVOPHARM LTD., SCHEIN : 17 PHARMACEUTICAL, INC., TEVA : Judge William L. 18 PHARMACEUTICAL INDUSTRIES : Gary 19 LTD, TEVA PHARMACEUTICAL USA, : 20 WATSON PHARMACEUTICALS, INC., : 21 Defendants. : 22 -----x</p>
<p style="text-align: right;">Page 3</p> <p>1 IN THE CIRCUIT COURT 2 OF MONTGOMERY COUNTY, ALABAMA 3 -----x 4 STATE OF ALABAMA, : 5 Plaintiff, : Case No. 6 vs. : CV-05-219 7 ABBOTT LABORATORIES, : 8 INC., et al., : Judge Charles 9 Defendants. : Price 10 -----x 11 12 13 IN THE CIRCUIT COURT OF THE FIRST CIRCUIT 14 STATE OF HAWAII 15 -----x 16 STATE OF HAWAII, : 17 Plaintiff, : Case No. 18 vs. : 06-10720-04-EEH 19 ABBOTT LABORATORIES, et al., : Judge Eden 20 Defendants. : Elizabeth Hifo 21 -----X 22</p>	<p style="text-align: right;">Page 5</p> <p>1 FRANKLIN CIRCUIT COURT - DIVISION II 2 CIVIL ACTION NO. 03-CI-1134 3 4 -----X 5 COMMONWEALTH OF KENTUCKY, : 6 Plaintiff, : 7 vs. : Judge 8 : Crittenden 9 ABBOTT LABORATORIES, INC., : 10 Defendant. : 11 -----X 12 13 STATE OF WISCONSIN CIRCUIT COURT 14 DANE COUNTY 15 Branch 9 16 -----x 17 STATE OF WISCONSIN, : 18 Plaintiff, : 19 vs. : Case No. 20 AMGEN, INC., et al., : 04-CV-1709 21 Defendants. : 22 -----x</p>

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<p style="text-align: right;">Page 70</p> <p>1 the DVA prices. 2 Q. Because the Department of Veterans 3 Affairs purchases drugs directly from drug 4 manufacturers, correct? 5 A. I'm not sure if it's directly or if 6 it's through contracts, through a wholesaler. I 7 don't know. 8 Q. Have you had any involvement with those 9 purchases at all? 10 A. Involvement in what way? 11 Q. Negotiating prices with manufacturers 12 and Department of Veterans Affairs. 13 A. No. 14 Q. Do you know the individual who is 15 responsible for that? 16 A. I know some individuals that work on 17 that program. I know at least -- I'll correct 18 that now. At this point, I know one individual. 19 Q. And who is that? 20 A. Mel Noel. 21 Q. Now, average manufacturer's -- average 22 manufacturer prices were something that were</p>	<p style="text-align: right;">Page 72</p> <p>1 Can you tell me what those are? 2 A. Manufacturer releases are documents 3 that are put out by the agency, sub-regulatory 4 guidance that address certain issues in the Drug 5 Rebate Program for states and manufacturers. 6 Q. Are those done on a regular periodic 7 basis or as needed when issues arise? 8 A. They're done as needed. 9 Q. Do you have an estimate of how many of 10 those releases have been issued since inception 11 of the program? 12 A. Of manufacturer releases? 13 Q. Yes. 14 A. I don't, no. I don't have an estimate. 15 Q. If you had to ballpark, is it more than 16 10? 17 A. It's more than 10. 18 Q. More than 25? 19 A. You're closing in real quick on how 20 much I know here. It's more than 25, but I -- 21 roughly that's probably the best I could do. 22 It's --</p>
<p style="text-align: right;">Page 71</p> <p>1 defined by statute, correct? 2 A. They were defined by statute and 3 further defined by rebate agreement and other -- 4 other guidance that was issued by the agency. 5 Q. There has been, over the years, some 6 uncertainty with how average manufacturer -- 7 average manufacturer prices should be calculated, 8 correct? 9 MS. MARTINEZ: Objection to form. 10 THE WITNESS: There have been questions 11 about how to calculate average manufacturer 12 price. 13 BY MR. TORBORG: 14 Q. And CMS provided guidance to 15 manufacturers to resolve those uncertainties, 16 correct? 17 A. Again, there would be a definition in 18 the rebate, there would be things called 19 manufacturer releases that would address AMP, and 20 most recently, there is a notice of proposed 21 rulemaking and a final reg that define AMP. 22 Q. You refer to manufacturer releases.</p>	<p style="text-align: right;">Page 73</p> <p>1 Q. Somewhere between 25 and 50 is your 2 best estimate? 3 A. No. 4 MR. HERNANDEZ: Objection, form. 5 THE WITNESS: But they're listed on our 6 website, so it's a fairly easy matter to go back 7 and say exactly how many they are. They're both 8 -- they're -- again, they're on our website. 9 BY MR. TORBORG: 10 Q. Average manufacturer prices were 11 defined to include the impact of any discounts or 12 rebates; is that right? 13 A. Average manufacturer price would 14 include discounts to -- that affected the price 15 to the retail class of trade, certain discounts. 16 Q. Were you involved in drafting the 17 legislation or commenting on the legislation such 18 that those discounts and rebates would be 19 included in the calculation? 20 A. I don't remember my involvement on that 21 level of detail. 22 Q. But someone thought to define AMP to</p>

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<p style="text-align: right;">Page 74</p> <p>1 include the impact of discounts and rebates; is 2 that fair to say? 3 MS. MARTINEZ: Objection to form. 4 THE WITNESS: The rebate definition 5 does I believe have a -- have language in it that 6 addresses that issue. 7 BY MR. TORBORG: 8 Q. I've heard something -- I've seen 9 something in the documents to something called 10 the Medicaid Bureau? 11 A. Correct. 12 Q. What is that? 13 A. The Medicaid Bureau was a precursor, 14 predecessor of -- in the agency that had 15 responsibility for the Medicaid issues. 16 Q. And did that entity change its name at 17 some point? 18 A. At some point it did. It changed its 19 name to the Centers for -- the Center for 20 Medicaid & State Operations. 21 Q. And you worked within that 22 organization, correct?</p>	<p style="text-align: right;">Page 76</p> <p>1 management responsibilities, and a technical 2 director, which has technical and expert 3 responsibilities, if you will. 4 Q. And you took this position in 1995. 5 How long did you have that job? 6 A. Technical director -- there's been 7 various permutations since that time of being a 8 technical director or a division director, and at 9 this point, I am a technical director. 10 Q. Even today? 11 A. Again, with different -- different, if 12 you will, stops in between. 13 Q. What stops in between are there? 14 A. A technical director, and for a while I 15 served as the director -- the deputy director of 16 the division, I had responsibility for this area, 17 and, for a short while, as a director. 18 Q. When you say "this area," do we mean 19 drug reimbursement? 20 A. Among other areas, correct. 21 Q. What other areas? 22 A. Hospital reimbursement, upper payment</p>
<p style="text-align: right;">Page 75</p> <p>1 A. Which one? 2 Q. Both the Medicaid Bureau and the Center 3 for Medicaid & State Operations? 4 A. Correct. 5 Q. I want to go back -- I sort of got off 6 track. I wanted to go back to tracing through. 7 I believe you said in 1995 you took a 8 different position in connection with the 9 reorganization of HCFA, correct? 10 A. Correct. 11 Q. Was your job basically the same even 12 though the reorganization had shifted your title 13 and perhaps the division you worked in? 14 A. It was a bit different. A technical 15 director has non-management responsibilities, and 16 there were other areas in the new -- new group -- 17 I'm sorry, I can't -- just can't remember the 18 name of that group -- that I also worked on. 19 Q. What do you mean by "non-management 20 responsibilities"? 21 A. There's two tracks basically. There's 22 a division director, which has personnel and</p>	<p style="text-align: right;">Page 77</p> <p>1 limits. 2 Q. Upper payment limits, is that something 3 that relates to drugs? 4 A. Upper payment limits does relate to 5 drugs and it does relate to other services within 6 the Medicaid program. 7 Q. Okay. And when did you have that 8 position? 9 A. Which one? 10 Q. The deputy director position. 11 A. Deputy director was early -- the early 12 2000s. Around 2002, it was a team -- a team that 13 reported to the head of CMSO, with two team 14 leaders that was separated out of that group. 15 Q. Is that something called the pharm 16 team? 17 A. Correct. It was called the pharmacy 18 team at that point? Yes, it was. 19 Q. When did the pharm -- the pharmacy team 20 start? 21 A. The pharmacy team was -- started around 22 mid 2002.</p>

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